

LEADERS

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Peebles' Plans

An Interview with R. Donahue Peebles,
Chairman and Chief Executive Officer, The Peebles Corporation

EDITORS' NOTE Don Peebles was awarded the Corporate Citizen Award from One Hundred Black Men of New York and the community leader award by Russell and Danny Simmons' Rush Philanthropic Arts Foundation at their inaugural Art for Life event in Miami Beach. He has also been inducted into the Martin Luther King International Board of Renaissance Leaders Hall of Fame at Morehouse College in Atlanta. Peebles is listed by Forbes as the eighth wealthiest African American in the U.S. He is an esteemed member of President Barack Obama's National Finance Committee and was honored as one of Black Entertainment Television's Top 50. He is a regular guest on CNBC's Squawk Box, CNN's Starting Point with Soledad O'Brien, Your Money with Ali Velshi and Your Bottom Line with Christine Romans, NBC News' Martin Bashir, and FOX's Your World with Neil Cavuto, where he advises on real estate, economic, and political issues. He is also the author of top-selling books *The Peebles Principles* and *The Peebles Path to Real Estate Wealth*. He is currently working on his third book.



R. Donahue Peebles

If there is a weakness in the market, it's in that \$3- to \$5-million area – the markets for bankers and the financial services industry, which has been hit hard with regulatory reform, in terms of limits on their compensation.

But the market is very resilient in New York City as a whole because of the broad demand generated from the low end of the market to the high end on the residential side.

In terms of hospitality, record number of visitors are coming to New York City, which increases demand for hospitality. You're also seeing development of new hospitality products outside of Manhattan. You have tremendous demand from all sectors: group business, corporate travelers, tourism and leisure, incentive business, etc.

The weakness in real estate is in the office market, where vacancy rates have gone up and availability has climbed significantly because of subletting. Large and small or mid-sized companies are trying to become more efficient; they're subletting space and taking less space, and technology allows us to be more efficient with our office space and where our employees are physically located to do their work.

Will there be more utilization of the mixed-use model in the future?

Yes, but on the high end of the market because you get the opportunity to brand a super luxury residential type project with a hotel brand, which gives the property greater identity and builds a better ability to market; a mixed-use project involving hospitality allows the developer to deliver a higher level of services and amenities to the unit owner while remaining competitive on fees and maintenance costs. You can take some of your less attractive inventory – the lower floor apartments – and make them hotel rooms, as most hotel guests don't reserve high floor rooms.

For the mid-market product, some will have a building that has condos and the less desirable lower floor units for the for-sale market would be the rentals.

Then you'll probably see some office use in some of these buildings, though less likely in that sector.

Where is the growth for Peebles coming from?

One of the areas we're getting more involved in is affordable housing in New York City, Washington, D.C., Chicago, and San Francisco.

Also, our company recently entered into a joint venture with Cornerstone Properties based in South Florida. They're the largest affordable housing developer in the Southeast and the largest affordable property manager in that market as well.

We are taking our market coverage and pairing it with their knowledge of that sector of the marketplace. That's an area of growth for us because housing is going to become much more of what it was before – a necessity, not a commodity; people need a place to live. So we're going to get back to the basic element of shelter.

The high cost of construction, land, and labor drive up housing costs, especially in places like New York City. It's unaffordable for almost anyone who is not making six figures and that is an unfortunate byproduct of the limitation on land coupled with high demand.

I've also seen growth for us in hospitality, as well as in mixed-use projects.

Another area we're spending more energy on is the gaming side; we are aggressively pursuing the last casino license in Philadelphia.

We also plan to look outside of the New York market and by being located in New York, we have easy access to business from Washington, D.C. to Boston.

How important has it been to build a team and are you still involved in all aspects?

I'm entrepreneurial, I can think out of the box, and I'm a good motivator. But I'm not the greatest administrator so I've tried to build our business in a way that doesn't require me to do that. To the degree there are responsibilities in that area, I try to surround myself with good people.

All of our top management has worked for our company for at least a decade. We've grown together as businesspeople and human beings.

Was the need to give back instilled in you early on?

I was taught early on that there are broader responsibilities, so making money was not my number one goal. The measurement of success is how we make our society a better place. I can do that through job creation and through economic development; I can also stand up for political issues and causes that may not necessarily be in my best personal financial interest, but are in the best interest of our country and/or the applicable city or state.

As business leaders we must contribute not just our money but our time. Helping motivate our next generation is something I and all of our business leaders should do. ●

With your headquarters in New York, do you see this as a time of opportunity in the city?

Manhattan, being an island with limited land that is also a globally desired location, generates so many different demands. But all are separate from the real estate market.

There are more public housing residents in New York City than the entire population of Boston, so you have tremendous demand for workforce housing, affordable housing, and market rate housing for urban professionals.

There is also tremendous demand for the high end, which is driven in terms of the sheer size of the apartments.